

FILED

OCT 13 2011

**SECRETARY, BOARD OF
OIL, GAS & MINING**

Steven F. Alder (00033)
Emily Lewis (13280)
Assistants Utah Attorney General
1594 West North Temple St. #300
Salt Lake City, Utah 84118
Telephone 801 538 5348

**BEFORE THE BOARD OF OIL, GAS, AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE DIVISION OF
OIL, GAS, AND MINING'S NOTICE OF
AGENCY ACTION FOR AN ORDER
FORFEITING TO THE STATE OF UTAH
ALL INTEREST IN THE CERTIFICATES
OF DEPOSIT #9398350612, #9398350620,
#9398350596, AND #9398350604 BEING
HELD BY WELLS FARGO BANK FOR
AND ON BEHALF OF THE STATE OF
UTAH AS SURETY FOR THE PLUGGING
AND ABANDONMENT OF THE
FOLLOWING WELLS OPERATED BY
NORTH AMERICAN EXPLORATION,
LLC: SVA UNIT #23-33-2119, STATE MSC
35-1, CACTUS ROSE MSC 2-1, AND
CACTUS ROSE 16-11-2118; ALL IN
GRAND COUNTY, UTAH

**FINDINGS OF FACT,
CONCLUSION OF LAW,
AND ORDER**

Docket No. 2011-016

Cause No. 222-15

The foregoing titled Notice of Agency Action (NAA) filed by the Utah Division of Oil Gas & Mining, ("Division") seeking an Order of the Board requiring that North American Exploration proceed to forfeit the bonds provided for the purpose of plugging the wells and a reclaiming the well sites, and other relief came on for hearing on Thursday, September 29, 2011 at a regularly scheduled meeting of the Board.

The Following members of the Board were present and participated in the hearing: Ruland J. Gill, Jr., Kelley L. Payne, Charles D. Hansen, Carl F. Kendell, and James T. Jensen, Chairman. Michael Johnson, Assistant Attorney General represented the Board. Division employees, Clinton Dworshak, and Earlene Russell provided testimony and presented evidence in support of the NAA. The Division was represented by Steven F. Alder, Assistant Utah Attorney General. No persons appeared on behalf of the Respondent, North American Exploration or any other party in opposition to the NAA. The Board heard the testimony and reviewed the pleadings and exhibits presented and being fully apprised of the premises makes the following,

FINDINGS OF FACT

1. North American Exploration, LLC a/k/a NAE, LLC (“NAE”) is a Delaware corporation qualified to do business in Utah.
2. NAE is the designated Operator of the following oil and gas wells drilled at the following locations in Grand County, Utah:

SVA Unit #23-33-2119	Section 33 Township 21 S, Range 19 E, SLM
State MSC 35-1,	Section 35 Township 21 S, Range 19 E, SLM
Cactus Rose MSC 2-1,	Section 2, Township 21 S, Range 18 E SLM, and
Cactus Rose 16-11-2118	Section 16, Township 21 S, Range 18 E, SLM.
3. NAE as Operator is responsible to plug the wells and restore the well sites for each of the above wells.
4. NAE as operator provided to the Division Certificates of Deposit (CDs) to be held by Wells Fargo Bank as bonds to secure the plugging and abandonment of the wells as required by

Utah code § 40-6-5(2)(f)(2011) and Utah Admin. Code R649-3-1(1), in the amounts and for the wells as shown below:

SVA Unit #23-33-2119	#9398350612,	\$30,000.00;
State MSC 35-1,	#9398350620,	\$60,000.00;
Cactus Rose MSC 2-1,	#9398350596,	\$30,000.00; and
Cactus Rose 16-11-21182.	#9398350604,	\$30,000.00.

5. For each CD provided to the Division as a bond for the costs of plugging and restoring the well site, NAE through its authorized agent executed a Collateral Bond agreement on the Division's form 4B which provides that the CD's is payable to the Director of the Division of Oil, Gas and Mining as agent of the State of Utah unless the well is properly plugged and well site restored.

6. For each CD provided to the Division as a bond, the Division was provided a Time Account Receipt/Disclosure (identifying the number and amount of the CD and indicating it is to be automatically renewed), a Time Account Maintenance Request, (indicating that the Payee is the director of the Utah Division of Oil Gas and Mining), a Time Account Detail (indicating that the CD are subject to a Hold), and a Hold Detail (indicating the Hold does not expire and that written authorization is required to remove the restraint).

7. NAE has filed a voluntary petition under Chapter 7 of the United States Bankruptcy code, in the United States Bankruptcy Court for the District of Delaware on October 1, 2010.

8. On February 22, 2011 the Division issued its Division Order requiring the plugging of the subject wells as required by the rules.

9. As a result of the filing of its voluntary Chapter 7 bankruptcy and the abandonment by the bankruptcy trustee of any interest in the wells for which the CD's are being held, the Operator NAE is without financial means to conduct plugging and site restoration.

10. NAE, as the operator; the bankruptcy trustee on behalf of NAE; and Dawn Trucking as assignees have not responded to the Division Order to plug the wells and restore the sites and have otherwise refused to plug the sites despite having the opportunity to do so.

11. On September 20, 2011 the bankruptcy trustee advised counsel for the Division by letter that it had abandoned all interest in the wells and any claims to the CD's and has authorized the Division to instruct Wells Fargo Bank to release the CD's to the Division.

CONCLUSIONS OF LAW

1. Proper and adequate notice of the hearing on the Division's NAA was given to North American Exploration d/b/a NAE, as operator; to the bankruptcy trustee on behalf of the operator and interests of the bankruptcy estate, if any; to Wells Fargo Bank as holder of the CD's, to Dawn Trucking Company as assignee; and to all other persons who may be entitled to notice under the rules of the Board.

2. NAE as Operator is responsible to plug the wells and restore the well sites for each of the above wells.

3. The Operator has refused and due to the bankrupt status is otherwise unable to complete plugging of the wells and reclamation of the well sites.

4. It is necessary and appropriate that the Board order that the following Certificates of Deposit which were provided as surety for the plugging of the wells and reclamation of the well sites be forfeited to the Division:

<u>Well</u>	<u>CD</u>	<u>Amount</u>
SVA Unit #23-33-2119	#9398350612,	\$30,000.00;
State MSC 35-1,	#9398350620,	\$60,000.00;
Cactus Rose MSC 2-1,	#9398350596,	\$30,000.00; and
Cactus Rose 16-11-21182.	#9398350604,	\$30,000.00.

5. It is appropriate and necessary that upon request by the Director that Wells Fargo Bank deliver to the Division the full face value of amount for each CD as shown above to be used by the Division to plug the wells and restore the sites as required by the Division's rules.

6. The Division is obligated to use the forfeited funds to effect the plugging of the wells and the restoration of the sites to the standards required by the Division's rules.

NOW THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

1. The following Certificates of Deposit and any accrued interest held by Wells Fargo Bank and provided as surety for the plugging of the listed wells and reclamation of the well sites are ordered forfeited to the Division:

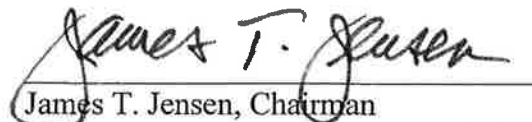
<u>Well</u>	<u>CD</u>	<u>Amount</u>
SVA Unit #23-33-2119	#9398350612,	\$30,000.00;
State MSC 35-1,	#9398350620,	\$60,000.00;
Cactus Rose MSC 2-1,	#9398350596,	\$30,000.00; and
Cactus Rose 16-11-21182.	#9398350604,	\$30,000.00.

2. The Division is Ordered to use all amounts forfeited to plug the above identified wells and reclaim the well sites to the standards required by the law.

3. The Division is authorized to make demand and to take any and all actions necessary to complete the forfeiture of the bonds, recovery of the amounts held as surety, and to effect the proper plugging of the wells and restoration of the well sites.

Dated this 13th day of October, 2011

STATE OF UTAH
BOARD OF OIL, GAS AND MINING


James T. Jensen, Chairman
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84116

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER for Docket No. 2011-016, Cause No. 222-15 to be mailed with postage prepaid, this 14th day of October, 2011, to the following:

North American Exploration, LLC
38 C Grove Street
Ridgefield, CT 06877

Michael S. Johnson
Assistant Attorneys General
Utah Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Steven F. Alder
Assistant Attorneys General
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Annie D. Murphy
Counsel for Dawn Trucking Company,
Inc.
DUFFORD, WALDECK, MILBURN &
KROHN, LLP
744 Horizon Court
Grand Junction, CO 81506

Dodie Lilley
Wells Fargo Bank
MAC T5916-011
21314 Kuykendahl Rd
Spring, TX 77379

Debra Olson
16800 Imperial Valley Dr. Suite 380
Houston, TX 77060
[Undeliverable]

Debra Olson
C/O Opus Oil & Gas, LP
16770 Imperial Valley Dr
Houston, TX 77060-3400
[Undeliverable]

Charles A. Stanziale
Trustee in Bankruptcy
100 Mulberry Street
Four Gateway Center
Newark, NJ 07102

Alyse Aruch
McCarter & English, LLP
405 N. King St., Suite # 800
Wilmington, DE 19801

Wells Fargo Bank
Attn: Debra Hernandez
2352 North Belt
12941 I-45N
Houston, TX 77060

Michael S. Cornish
369 Florida Hill Rd.
Ridgefield, CT 06877

Charles Duffy
16800 Imperial Valley Dr, Suite 380
Houston, TX 77060
[Undeliverable]